

Tobin & Co.

Blair Township

Grand Traverse County, Michigan

Audit Report

For the Year Ended June 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Blair Township	County Grand Traverse
Audit Date 6/30/05	Opinion Date 10/10/05	Date Accountant Report Submitted to State: 12/08/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.

Certified Public Accountant (Firm Name) 400 E. EIGHTH ST.			
Street Address TRAVERSE CITY, MI 49686-2668		City	State
Accountant Signature <i>David T. Parker</i>		ZIP 231-947-0151	Date 12-8-05

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Table of Contents

INTRODUCTORY SECTION

Comments and Recommendations	4 - 5
------------------------------	-------

FINANCIAL SECTION

Accountant's Report	7
Management's Discussion and Analysis	8 - 11

Basic Financial Statements

Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13

Governmental Funds:	
Balance Sheet	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances	16

Enterprise Water Fund:	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19

Fiduciary Funds:	
Statement of Fiduciary Net Assets	20

Notes to Basic Financial Statements	21 - 27
-------------------------------------	---------

SUPPLEMENTAL DATA SECTION

Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budgeted and Actual	
1 - General Fund	29 - 32
2 - Fire and Police Fund	33
3 - Ambulance Fund	34
4 - Liquor Law Enforcement Fund	35

Other Supplementary Information	
5 - Combining Statement of Changes in Assets and Liabilities – All Agency Funds	36
6 - 2004 Property Tax Levy and Collection	37

INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Blair Township, Grand Traverse County, for the year ended June 30, 2005 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Blair Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Your present Clerk, Treasurer and Deputies maintain receipts journals, disbursements journals, general ledgers and account books prescribed in the Uniform Accounting Procedures developed by the State Department of Treasury. Except for some shortcomings, the records were well maintained. In a separate management letter, we have addressed these shortcomings and suggested measures which, if adopted, will improve the accounting procedures and records. Both the noted shortcomings and suggested measures have been discussed with the appropriate officials and, in some instances, these suggestions have already been implemented or have begun to be implemented. Comments and recommendations regarding items other than the accounting procedures and records themselves are as follows:

Budgets and Procedures

The Township prepared and adopted budgets for its General and Special Revenue Funds. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. As noted in the "Notes to the Financial Statements", two cost centers exceeded their expenditure budgets without formal amendment by the Township Board.

General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance at June 30, 2005 was \$454,136.

Fire and Police Fund

This fund, presented on Schedule 2, was established to account for a special levy of 2.5 mils for fire and police protection. The fund balance at June 30, 2005 was \$185,867 of which \$4,468 was restricted.

Ambulance Fund

This fund, presented on Schedule 3, is used to account for the special voted tax of 1.5 mils for ambulance service, for fees received for ambulance runs and other income earmarked for this fund. Revenues for the audit year totaled \$577,758 and expenditures were \$519,925. The fund balance at June 30, 2005 was \$292,833 of which \$51,923 was restricted.

Liquor Law Enforcement Fund

This fund, presented on Schedule 4, is used to account for liquor license fees refunded by the State of Michigan and a transfer from the general fund. Such fees may be used only for enforcement of the State liquor laws. The fund balance at June 30, 2005 was \$1,561.

Property Tax Collections

The collection and distribution of the 2004 tax levy was handled in an excellent manner by the Township Treasurer. Paid receipts were filed in order of payment and supported by computer printouts. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements. The Treasurer's efforts in this important function are commendable.

See Schedule 6 for a summary of the 2004 tax levy and collections.

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Comments and Recommendations

Pension Plan

We noted that the Township has a pension plan for its elected officials and full-time employees through Municipal Retirement Systems, Inc. The Township pays 100% of the cost. The Board has amended its §218 Social Security agreement to include those covered by the pension plan.

Payroll Procedures

Payroll records were maintained in excellent order. Payroll tax returns and year-end reports were filed timely as required.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, auto liability, workmen's compensation, equipment and crime coverage. Board minutes indicate that coverage was reviewed during the audit year. The Supervisor, Clerk, Treasurer, and their deputies have specific surety bond coverage, along with a general surety bond covering all other employees.

Accounts Receivable

We noted that accounts receivable, covering charges for ambulance runs, are being maintained on a current basis by a contractual billing service. Billings are made each month, followed by a second and a final billing for uncollected accounts. Court action is taken on accounts of more than 90 days.

Other Data

We are pleased to note the use of an interest bearing depository accounts, and the purchase of certificates of deposit and other investment practices which resulted in earned interest of \$17,886 during the audit year. This is commendable on the part of the Treasurer and other Board members.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township accounting records. We further appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Blair Township
Grand Traverse County
Grawn, Michigan 49637

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Blair Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Blair Township at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Blair Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
October 10, 2005

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BLAIR TOWNSHIP MANAGEMENT DISCUSSION AND ANALYSIS

As the Township Board of the Blair Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Blair Township for the fiscal year ended June 30, 2005.

Financial Highlights

The assets of Blair Township exceeded its liabilities at the close of the most recent fiscal year by \$5,506,546 (net assets). Of this amount, \$3,552,680 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$934,397 (an increase of \$40,217 in comparison with the prior year). Approximately 94% of the total amount, \$876,006 is available for spending at the Township's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$454,136, or 56%, of the total general fund expenditures.

The Township's total debt was \$6,355,623 at the end of the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Blair Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, road projects, and recreation. The business-type activities of the Township include the water system.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blair Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Blair Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire and Police Fund and Ambulance Fund, which are considered to be major funds. Data from the other governmental fund is presented in a single column. Individual fund data for this non-major governmental fund is provided in the form of a statement elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary Funds – Blair Township maintains a single proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its water activity.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 27 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 29 through 37 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Blair Township, assets exceeded liabilities by \$5,506,546 at the close of the most recent fiscal year.

27% of the Township's net assets (\$1,473,605) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Blair Township Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Business Activities 2005	Business Activities 2004	Total 2005	Total 2004
Current and Other Assets	\$ 1,014,064	\$ 958,651	\$ 3,202,045	\$ 3,468,254	\$ 4,216,109	\$ 4,426,905
Capital Assets	<u>779,513</u>	<u>713,386</u>	<u>6,866,547</u>	<u>6,882,407</u>	<u>7,646,060</u>	<u>7,595,793</u>
Total Assets	1,793,577	1,672,037	10,068,592	10,350,661	11,862,169	12,022,698
Current and Other Liabilities	113,997	39,040	69,171	57,641	183,168	96,681
Long-term Liabilities	<u>42,455</u>	<u>62,422</u>	<u>6,130,000</u>	<u>6,307,709</u>	<u>6,172,455</u>	<u>6,370,131</u>
Total Liabilities	<u>156,452</u>	<u>101,462</u>	<u>6,199,171</u>	<u>6,365,350</u>	<u>6,355,623</u>	<u>6,466,812</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	737,058	650,964	736,547	574,698	1,473,605	1,225,662
Restricted	480,261	386,335	-	-	480,261	386,335
Unrestricted	<u>419,806</u>	<u>533,276</u>	<u>3,132,874</u>	<u>3,410,613</u>	<u>3,552,680</u>	<u>3,943,889</u>
Total Net Assets	<u>\$ 1,637,125</u>	<u>\$ 1,570,575</u>	<u>\$ 3,869,421</u>	<u>\$ 3,985,311</u>	<u>\$ 5,506,546</u>	<u>\$ 5,555,886</u>

9% of the Township's net assets (\$480,261) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,552,680) may be used to meet the Township's ongoing obligations to citizens and creditors.

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At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets decreased by \$49,340 during the current fiscal year as discussed below.

Governmental Activities – Governmental activities increased the Township's net assets by \$66,550.

Business-type Activities – Business-type activities decreased the Township's net assets by \$115,890.

	Governmental Activities 2005	Governmental Activities 2004	Business Activities 2005	Business Activities 2004	Total 2005	Total 2004
Program Revenues:						
Charges for Services	\$ 429,267	\$ 365,444	\$ 566,708	\$ 601,940	\$ 995,975	\$ 967,384
Operating Grants and Contributions	10,453	30,539	-	-	10,453	30,539
General Revenues:						
Property Taxes	774,615	693,781	-	-	774,615	693,781
State Shared Revenues	471,549	497,048	-	-	471,549	497,048
Unrestricted Investment Earnings	17,886	11,507	18,698	12,912	36,584	24,419
Miscellaneous	20,206	14,263	-	-	20,206	14,263
Total Revenues	1,723,976	1,612,582	585,406	614,852	2,309,382	2,227,434
Program Expenses:						
Legislative	128,636	198,908	-	-	128,636	198,908
General Government	507,903	357,105	-	-	507,903	357,105
Public Safety	967,566	955,272	-	-	967,566	955,272
Public Works	35,165	20,474	701,296	535,755	736,461	556,229
Recreation and Cultural	15,566	17,633	-	-	15,566	17,633
Interest on Long-term Debt	2,590	3,386	-	-	2,590	3,386
Total Expenses	1,657,426	1,552,778	701,296	535,755	2,358,722	2,088,533
Change in Net Assets	\$ 66,550	\$ 59,804	\$ (115,890)	\$ 79,097	\$ (49,340)	\$ 138,901

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

Governmental Funds – The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$934,397, an increase of \$40,217 in comparison with the prior year. 93% of this total amount (\$878,006) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to ambulance replacement (\$51,923).

General Fund Budgetary Highlights – Differences between the original budget and the final amended budget were \$52,837 (a decrease in appropriations).

Capital Asset and Debt Administration

Capital Assets – The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$6,820,327 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and system, improvements, machinery and equipment, park facilities, etc.

Details of the Township's capital assets are contained in the notes to the financial statements on page 24.

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Long-term debt – At the end of the current fiscal year, the Township had total bonded and installment debt outstanding of \$6,172,455. This amount comprises debt backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 25.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to decrease in the 2005-2006 fiscal year. The Township budgeted for a decrease in state-shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. The Township's Millage rate was reduced again by the Headlee Amendment rollback to .8736 mils for general operating purposes. These factors were considered in preparing the Township's budget for the 2005-2006 fiscal year. During the current fiscal year, unreserved fund balance in the general fund decreased to \$454,136. The Township has presented a General Fund budget for the 2005-2006 fiscal year which appropriates expenditures in excess of revenues in the amount of \$95,583.

Blair Township is a fast growing community, experiencing many changes. The Blair Township Water District continues to grow and a new Commercial Sewer District has been created in 2005-2006 that will cost approximately \$5,675,000. Our Township has expanded from two to four voting precincts; we are also in the process of developing a parks and recreation plan for the community.

Requests for Information

This financial report is designed to provide a general overview of Blair Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Blair Township, 2121 County Road 633, Grawn, MI 49637. Phone (231) 276-9263.

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Blair Township Statement of Net Assets June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 874,576	\$ 907,892	\$ 1,782,468
Investments	-	396,551	396,551
Accounts Receivable	102,966	101,989	204,955
Allowance for Uncollectible Accounts	(28,000)	-	(28,000)
Special Assessments Receivable	25,633	1,795,613	1,821,246
Prepaid Expenses	38,889	-	38,889
Capital Assets:			
Land	105,748	-	105,748
Other Capital Assets, Net of Depreciation	553,723	6,820,327	7,374,050
Intangible Assets, Net of Amortization	<u>120,042</u>	<u>46,220</u>	<u>166,262</u>
Total Assets	<u>1,793,577</u>	<u>10,068,592</u>	<u>11,862,169</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	113,997	69,171	183,168
Long-term Liabilities:			
Due Within One Year	20,796	203,334	224,130
Due in More Than One Year	<u>21,659</u>	<u>5,926,666</u>	<u>5,948,325</u>
Total Liabilities	<u>156,452</u>	<u>6,199,171</u>	<u>6,355,623</u>
<u>Net Assets</u>			
Invested in Capital Assets and Intangible Assets, Net of Related Debt	737,058	736,547	1,473,605
Restricted for:			
Fire and Police Protection	185,867	-	185,867
Ambulance Service	292,833	-	292,833
Liquor Inspections	1,561	-	1,561
Unrestricted	<u>419,806</u>	<u>3,132,874</u>	<u>3,552,680</u>
Total Net Assets	<u>\$ 1,637,125</u>	<u>\$ 3,869,421</u>	<u>\$ 5,506,546</u>

See Accompanying Notes to Basic Financial Statements

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Blair Township Statement of Activities June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Legislative	\$ 128,636	\$ -	\$ -	\$ (128,636)	\$ -	\$ (128,636)
General Government	507,903	71,767	-	(436,136)	-	(436,136)
Public Safety	967,566	347,400	2,549	(617,617)	-	(617,617)
Public Works	35,165	10,100	7,904	(17,161)	-	(17,161)
Recreation and Cultural	15,566	-	-	(15,566)	-	(15,566)
Interest on Long-term Debt	<u>2,590</u>	<u>-</u>	<u>-</u>	<u>(2,590)</u>	<u>-</u>	<u>(2,590)</u>
Total Governmental Activities	<u>1,657,426</u>	<u>429,267</u>	<u>10,453</u>	<u>(1,217,706)</u>	<u>-</u>	<u>(1,217,706)</u>
Business-type Activities:						
Water	<u>701,296</u>	<u>566,708</u>	<u>-</u>	<u>-</u>	<u>(134,588)</u>	<u>(134,588)</u>
General Revenues:						
Property Taxes				774,615	-	774,615
Grants and Contributions Not Restricted To Specific Programs				471,549	-	471,549
Unrestricted Investment Earnings				17,886	18,698	36,584
Miscellaneous				<u>20,206</u>	<u>-</u>	<u>20,206</u>
Total General Revenues				1,284,256	18,698	1,302,954
Change in Net Assets				66,550	(115,890)	(49,340)
Net Assets - Beginning				<u>1,570,575</u>	<u>3,985,311</u>	<u>5,555,886</u>
Net Assets - Ending				<u>\$ 1,637,125</u>	<u>\$ 3,869,421</u>	<u>\$ 5,506,546</u>

See Accompanying Notes to Basic Financial Statements

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Blair Township Balance Sheet Governmental Funds June 30, 2005

	<u>General</u>	<u>Fire and Police</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 439,206	\$ 184,849	\$ 247,109	\$ 3,412	\$ 874,576
Accounts Receivable, Net	33,713	-	41,253	-	74,966
Due from Other Funds	1,851	1,018	4,471	-	7,340
Prepaid Expenses	<u>3,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,490</u>
Total Assets	<u>\$ 478,260</u>	<u>\$ 185,867</u>	<u>\$ 292,833</u>	<u>\$ 3,412</u>	<u>\$ 960,372</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable and Accrued Expenses	\$ 18,635	\$ -	\$ -	\$ -	\$ 18,635
Due to Other Funds	<u>5,489</u>	<u>-</u>	<u>-</u>	<u>1,851</u>	<u>7,340</u>
Total Liabilities	<u>24,124</u>	<u>-</u>	<u>-</u>	<u>1,851</u>	<u>25,975</u>
<u>Fund Balances:</u>					
Restricted for:					
Membership Incentive	-	4,468	-	-	4,468
Ambulance Replacement	-	-	51,923	-	51,923
Unrestricted	<u>454,136</u>	<u>181,399</u>	<u>240,910</u>	<u>1,561</u>	<u>878,006</u>
Total Fund Balances	<u>454,136</u>	<u>185,867</u>	<u>292,833</u>	<u>1,561</u>	<u>934,397</u>
Total Liabilities and Fund Balances	<u>\$ 478,260</u>	<u>\$ 185,867</u>	<u>\$ 292,833</u>	<u>\$ 3,412</u>	
Amounts reported for governmental activities on the statement of net assets are different because:					
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.					779,513
Some prepaid assets used in governmental activities are not financial resources and therefore are not reported in the funds.					35,399
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.					25,633
Some liabilities, including notes payable and certain accrued expenses, are not due and payable in the current period and therefore are not reported in the funds.					<u>(137,817)</u>
Net assets of governmental activities.					<u>\$ 1,637,125</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2005

	<u>General</u>	<u>Fire and Police</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes	\$ 169,376	\$ 383,730	\$ 243,326	\$ -	\$ 796,432
Licenses and Permits	76,504	-	-	-	76,504
State Grants	479,453	-	-	2,549	482,002
Charges for Services	19,085	1,500	316,995	-	337,580
Interest and Rents	13,534	6,238	3,197	-	22,969
Other	2,474	3,492	14,240	-	20,206
Total	<u>760,426</u>	<u>394,960</u>	<u>577,758</u>	<u>2,549</u>	<u>1,735,693</u>
<u>Expenditures</u>					
Legislative	128,636	-	-	-	128,636
General Government	490,479	-	-	-	490,479
Public Safety	106,476	356,680	458,004	1,913	923,073
Public Works	66,851	-	-	-	66,851
Recreation and Cultural	6,580	-	-	-	6,580
Debt Service	-	-	22,557	-	22,557
Capital Outlay	15,114	2,822	39,364	-	57,300
Total	<u>814,136</u>	<u>359,502</u>	<u>519,925</u>	<u>1,913</u>	<u>1,695,476</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	(53,710)	35,458	57,833	636	40,217
Fund Balance – Beginning of Year	<u>507,846</u>	<u>150,409</u>	<u>235,000</u>	<u>925</u>	<u>894,180</u>
Fund Balance – End of Year	<u>\$ 454,136</u>	<u>\$ 185,867</u>	<u>\$ 292,833</u>	<u>\$ 1,561</u>	<u>\$ 934,397</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Of Governmental Activities
For the Year Ended June 30, 2005

Net change in fund balances – total governmental funds	\$ 40,217
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	66,127
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the statement of activities	(11,717)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayment during the period.	19,967
Some expenditures reported in the governmental funds that require the use of current financial resources are not reported as expenses in the statement of activities.	<u>(48,044)</u>
Changes in net assets of governmental activities	<u>\$ 66,550</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Net Assets
Enterprise Water Fund
June 30, 2005

Assets

Cash and Cash Equivalents	\$ 907,892
Investments	396,551
Accounts Receivable	101,989
Special Assessments Receivable	1,795,613
Capital Assets:	
Other Capital Assets, Net of Depreciation	6,820,327
Intangible Assets, Net of Amortization	<u>46,220</u>
Total Assets	<u>10,068,592</u>

Liabilities

Accounts Payable and Accrued Expenses	69,171
Long-term Liabilities:	
Due Within One Year	203,334
Due in More Than One Year	<u>5,926,666</u>
Total Liabilities	<u>6,199,171</u>

Net Assets

Invested in Capital and Intangible Assets, Net of Related Debt	736,547
Unrestricted	<u>3,132,874</u>
Total Net Assets	<u>\$ 3,869,421</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Water Fund
For the Year Ended June 30, 2005

Operating Revenues

State Grant	\$ 2,600
Usage and Connection Fees	417,806
Interest and Penalties on Special Assessments	116,302
Tower Rental	<u>30,000</u>
Total	<u>566,708</u>

Operating Expenses

Postage	2,391
Supplies	4,036
Contractual Services	126,319
Utilities	24,149
Maintenance and Repairs	77,997
Miscellaneous	3,124
Depreciation	155,541
Amortization	2,568
Debt Service:	
Interest	304,821
Fees	<u>350</u>
Total	<u>701,296</u>

Operating Income (Loss) (134,588)

Non-operating Income

Interest	<u>18,698</u>
Total	<u>18,698</u>

Net Income (Loss) Before Transfers to Contributions (115,890)

Net Assets – Beginning of Year 3,985,311

Net Assets – End of Year \$ 3,869,421

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Cash Flows
Enterprise Water Fund
For the Year Ended June 30, 2005

Operating Activities

Collection of State Grant	\$ 2,600
Collection of Usage and Connection Fees	356,486
Collection of Special Assessments	116,927
Collection of Interest	18,698
Collection of Tower Rent	30,000
Deduct Expenses Using Cash and Cash Equivalents	<u>(531,657)</u>

Net Cash Flow (Used In) Operating Activities (6,946)

Investing Activities

Purchase of Capital Assets	(142,249)
Purchase of Investments	<u>(97,820)</u>

Net Cash Flow (Used In) Investing Activities (240,069)

Capital Financing Activities

Collection of Special Assessments	222,669
Principal Payment on Bonds	(124,376)
Principal Payments on Installment Contract	<u>(53,333)</u>

Net Cash Flow From Capital Financing Activities 44,960

Net (Decrease) in Cash (202,055)

Balance of Cash – Beginning of Year 1,109,947

Balance of Cash – End of Year \$ 907,892

Reconciliation of Net (Loss) and Net Cash Flow (Used In) Operating Activities

Net (Loss)	\$ (115,890)
Adjustments to Reconcile Net Earnings:	
(Increase) in Receivables	(61,320)
Increase in Payables	11,530
Depreciation of Water System	155,541
Amortization of Bond Acquisition Costs	2,568
Amortization of Discount on Bonds Payable	<u>625</u>
Net Cash Flow (Used In) Operating Activities	<u>\$ (6,946)</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Fiduciary Net Assets
June 30, 2005

Assets

Cash	\$ 6,831
Total Assets	<u>6,831</u>

Liabilities

Escrow Deposits	<u>6,831</u>
Total Liabilities	<u>6,831</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Blair Township is a general law township located in Grand Traverse County. Population as of the 2000 census was 6,448, and the current taxable valuation for taxable property is \$165,865,807.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds – These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the statement of net assets.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building Improvements	25 years
Land Improvements	20 years
Furniture and Fixtures	10 years
Vehicles	10 years
Equipment	5 years

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

G. Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. Prepaid Items

Prepaid balances are for payments made by the Township in the current year to provide services accruing in subsequent fiscal years.

I. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$223,173,688	\$165,865,807	.8736
Fire and Police	\$210,835,988	\$153,528,107	2.500
Emergency Service	\$223,173,688	\$165,865,807	1.4703

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2005.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2005, two cost centers of the General Fund exceeded their appropriation without formal budget amendment.

General Fund:

Planning and Zoning	\$ 5,991
Road Maintenance and Improvements	\$ 14,849

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2005

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$1,935,481 deposited with local financial institutions at June 30, 2005 with a carrying value of \$1,789,299. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$1,266,592 of uninsured deposits at June 30, 2005. Investments at June 30, 2005 consisted of \$396,551 of commercial paper held by a local financial institution and fully insured.

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

	<u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/05</u>
Governmental Activities:				
Land and Improvements	\$ 233,105	\$ -	\$ -	\$ 233,105
Buildings and Improvements	495,235	-	-	495,235
Vehicles and Equipment	<u>615,640</u>	<u>52,646</u>	<u>2,193</u>	<u>666,093</u>
Total	1,343,980	52,646	2,193	1,394,433
Less Accumulated Depreciation	<u>(663,747)</u>	<u>(72,860)</u>	<u>(1,645)</u>	<u>(734,962)</u>
Governmental Activities Assets, Net	<u>\$ 680,233</u>	<u>\$ (20,214)</u>	<u>\$ 548</u>	<u>\$ 659,471</u>
Business-type Activities:				
Water System	\$ 7,493,344	\$ 142,217	\$ -	\$ 7,635,561
Equipment	<u>30,768</u>	<u>-</u>	<u>-</u>	<u>30,768</u>
Total	7,524,112	142,217	-	7,666,329
Less Accumulated Depreciation	<u>(690,491)</u>	<u>(155,511)</u>	<u>-</u>	<u>(846,002)</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,833,621</u>	<u>\$ (13,294)</u>	<u>\$ -</u>	<u>\$ 6,820,327</u>

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2005

NOTE 4 - CAPITAL/INTANGIBLE ASSETS (Continued)

Governmental intangible assets at June 30, 2005 consisted of major improvements to roads owned and maintained by Grand Traverse County: Road costs of \$123,859 less accumulated amortization of \$3,817. Business-type intangible assets consisted of bond origination costs of \$64,194 less accumulated amortization of \$17,974.

NOTE 5 - LONG-TERM DEBT

On July 1, 1998 Grand Traverse County issued \$6,550,000 of Water System Improvements Project Bonds at interest rates ranging from 4.75 % to 5.2% with principal payments due November 1 and interest payments due May 1 and November 1. The proceeds were used to construct a water system in Blair Township.

A \$480,000 non-interest bearing installment purchase agreement dated July 21, 1998 was entered into with Cherryland Rural Electrical Cooperative. Monthly principal only payments of \$4,444 began August 1, 1999. The proceeds were used to construct a water system for Blair Township.

On January 14, 2003, the Township entered into an installment lease purchase agreement for the purchase of a new ambulance. Interest and principal payments are due January 14 with interest at 4.15%.

Changes in long-term debt are scheduled below:

	Balance 6/30/04	Additions	Retirements	Balance 6/30/05
Water System Improvement Project Bonds	\$ 6,125,000	\$ -	\$ 125,000	\$ 6,000,000
Rural Electrical Cooperative Installment Note	213,334	-	53,334	160,000
Ambulance Installment Note	62,422	-	19,967	42,455
Total	6,400,756	-	198,301	6,202,455
Less Discounts	(30,625)	-	(625)	(30,000)
	<u>\$ 6,370,131</u>	<u>\$ -</u>	<u>\$ 197,676</u>	<u>\$ 6,172,455</u>

Debt services requirements to maturity:

	1998 Water System		Installment Contracts Payable		
	Improvements Project Bonds		Water System	Ambulance	
	Principal	Interest	Principal	Principal	Interest
2005	\$ 150,000	\$ 302,275	\$ 26,666	\$ 20,796	\$ 1,762
2006	175,000	295,150	53,333	21,659	899
2007	175,000	286,837	53,333		
2008	225,000	278,525	26,668		
2009	225,000	267,838			
2010	300,000	257,150			
2011	300,000	242,750			
2012	325,000	228,350			
2013	325,000	212,425			
2014	350,000	196,175			
2015	350,000	178,500			
2016	350,000	160,650			
2017	350,000	142,625			
2018	400,000	124,600			
2019	400,000	104,000			
2020	400,000	83,200			
2021	400,000	62,400			
2022	400,000	41,600			
2023	400,000	20,800			
	<u>\$ 6,000,000</u>	<u>\$ 3,485,850</u>	<u>\$ 160,000</u>	<u>\$ 42,455</u>	<u>\$ 2,661</u>

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2005

NOTE 6 - INVENTORIES

Blair Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 7 - PENSION PLAN

The Blair Township Pension Plan is a defined contribution pension plan administered by Municipal Retirement Systems, Inc. By Board resolution, the Township pays the entire cost of the plan, based on 11% of the total of participants' prior year forms W-2.

The plan covers all elected officials, deputies, and all full-time employees.

Contributions are 100% vested to the employee after 20 months of service.

The plan is administered by the Township Clerk.

During the year of audit, the total contribution for the plan year, February 1, 2003 to January 31, 2005 was \$63,226. Covered payroll for the year was \$574,783 with total payroll for all employees \$723,328. The plan was funded at the required amount.

NOTE 8 - DEFERRED COMPENSATION PLAN

Blair Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by the Township Clerk and is available to all full-time employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable of \$33,713 in the General Fund represents \$25,809 of cable franchise fees, and \$7,904 of Metro Act shared revenues of the audit year collected after July 1, 2005. \$69,253 in the Ambulance Fund represents amounts due from individuals for ambulance service. \$30,427 in the Water Fund represents unpaid water bills.

NOTE 10- CONTINGENT LIABILITIES

The Township is aware of no contingent liabilities at June 30, 2005.

NOTE 11- COMPENSATED ABSENCES

Full-time Township employees (scheduled to work a minimum of 24 hours per week) earn non-cumulative vacation leave based upon average hours per work week and years of service. They also earn sick leave at ½ day per month, not to exceed twelve days at any given point in time. Salaried employees are paid for all sick days with no accrual of days.

NOTE 12- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2005

NOTE 13- SEGMENT INFORMATION – ENTERPRISE FUND

The Township maintains an enterprise fund which provides water services. Segment information for the year ended June 30, 2005 was as follows:

Operating Revenues	\$ 566,708
Depreciation and Amortization Expense	158,109
Operating (loss)	(134,588)
Net (loss)	(115,890)
Net Working Capital	1,246,133
Total Assets	10,068,592
Bonds and Other Long-Term Liabilities:	
Payable from Operating Revenues	6,130,000
Total Equity	3,869,421

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2005

Schedule 1
Page 1

Revenues	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Property Taxes	\$ 130,000	\$ 136,000	\$ 144,610	\$ 8,610
Swamp Tax	2,100	2,100	2,165	65
Trailer Park Fees	900	750	784	34
Special Assessments – Roads and Lights	27,500	21,500	21,817	317
Licenses and Permits:				
Permits	14,000	14,000	24,905	10,905
Cable TV Franchise Fees	43,000	50,000	51,599	1,599
State Grants:				
State Shared Revenues	575,000	450,000	471,549	21,549
Metro Act	-	-	7,904	7,904
Charges for Services:				
Tax Collection Fees	11,000	13,000	13,429	429
Other	1,200	1,000	5,656	4,656
Interest and Rents:				
Interest	6,500	4,000	12,451	8,451
Rent	-	-	1,083	1,083
Other:				
Refunds and Reimbursements	3,000	7,000	2,474	(4,526)
Sale of Capital Assets	500	500	-	(500)
Total Revenues	814,700	699,850	760,426	60,576
Expenditures				
Legislative:				
Township Board:				
Salaries and Wages	-	-	22,007	-
Supplies and postage	-	-	9,112	-
Professional Services	-	-	22,732	-
Other Contracted Services	-	-	54,904	-
Dues	-	-	3,485	-
Other	-	-	1,210	-
Education and Training	-	-	240	-
Printing and Advertising	-	-	7,209	-
Total	131,000	128,275	120,899	7,376
Total Legislative	131,000	128,275	120,899	7,376

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2005

Schedule I
Page 2

Expenditures (Continued)	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	40,541	-
Supplies	-	-	221	-
Mileage and Travel	-	-	542	-
Education and Training	-	-	199	-
Total	42,441	42,241	41,503	738
Elections:				
Salaries and Wages	-	-	8,965	-
Supplies and Postage	-	-	4,661	-
Education and Training	-	-	698	-
Publishing	-	-	1,035	-
Total	16,411	22,972	15,359	7,613
Assessor:				
Salaries and Wages	-	-	39,961	-
Salaries and Wages - Clerical	-	-	14,616	-
Supplies and Postage	-	-	4,051	-
Other Services	-	-	1,469	-
Dues	-	-	150	-
Total	60,506	60,956	60,247	709
Clerk:				
Salaries and Wages	-	-	39,382	-
Salaries and Wages - Deputy	-	-	23,494	-
Supplies and Postage	-	-	1,868	-
Other Services	-	-	513	-
Professional Services	-	-	75	-
Maintenance and Repairs	-	-	326	-
Education and Training	-	-	283	-
Mileage and Travel	-	-	333	-
Total	70,701	70,201	66,274	3,927
Board of Review:				
Salaries and Wages	-	-	1,200	-
Supplies and Postage	-	-	12	-
Printing and Publishing	-	-	65	-
Total	2,500	2,400	1,277	1,123

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2005

Schedule I
Page 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Treasurer:				
Salaries and Wages	-	-	36,403	-
Salaries and Wages – Deputy	-	-	22,262	-
Supplies and Postage	-	-	7,934	-
Other Services	-	-	2,033	-
Mileage and Travel	-	-	1,487	-
Printing and Publishing	-	-	41	-
Maintenance and Repairs	-	-	35	-
Education and Training	-	-	1,300	-
Total	<u>82,819</u>	<u>75,819</u>	<u>71,495</u>	<u>4,324</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	24,705	-
Supplies	-	-	4,904	-
Other Services	-	-	1,935	-
Telephone	-	-	2,060	-
Public Utilities	-	-	7,675	-
Maintenance and Repairs	-	-	8,180	-
Total	<u>39,200</u>	<u>62,724</u>	<u>49,459</u>	<u>13,265</u>
Cemetery:				
Salaries and Wages	-	-	4,186	-
Supplies	-	-	1,592	-
Maintenance and Repairs	-	-	5,066	-
Total	<u>13,460</u>	<u>12,400</u>	<u>10,844</u>	<u>1,556</u>
Total General Government	<u>328,038</u>	<u>349,713</u>	<u>316,458</u>	<u>33,255</u>
Public Safety:				
Planning and Zoning:				
Salaries and Wages	-	-	79,643	-
Supplies and Postage	-	-	1,479	-
Outside Services	-	-	7,854	-
Mileage and Travel	-	-	1,874	-
Printing and Publishing	-	-	1,239	-
Education and Training	-	-	965	-
Total	<u>99,201</u>	<u>87,063</u>	<u>93,054</u>	<u>(5,991)</u>
Total Public Safety	<u>99,201</u>	<u>87,063</u>	<u>93,054</u>	<u>(5,991)</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2005

Schedule I
Page 4

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures (Continued)</u>				
Public Works:				
Road Maintenance and Improvements	118,500	39,000	53,849	(14,849)
Street Lighting	<u>13,000</u>	<u>14,500</u>	<u>13,002</u>	<u>1,498</u>
Total Public Works	<u>131,500</u>	<u>53,500</u>	<u>66,851</u>	<u>(13,351)</u>
Recreation and Cultural:				
Parks and Recreation:				
Salaries and Wages	-	-	5,293	-
Supplies	-	-	510	-
Maintenance and Repairs	<u>-</u>	<u>-</u>	<u>777</u>	<u>-</u>
Total	<u>12,320</u>	<u>12,000</u>	<u>6,580</u>	<u>5,420</u>
Total Recreation and Cultural	<u>12,320</u>	<u>12,000</u>	<u>6,580</u>	<u>5,420</u>
Other:				
Employee Benefits and Insurance	<u>175,731</u>	<u>188,202</u>	<u>191,782</u>	<u>(3,580)</u>
Capital Outlay	<u>58,700</u>	<u>64,900</u>	<u>15,114</u>	<u>49,786</u>
Contingency	<u>25,000</u>	<u>25,000</u>	<u>3,398</u>	<u>21,602</u>
Total Expenditures	<u>961,490</u>	<u>908,653</u>	<u>814,136</u>	<u>94,517</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (146,790)</u>	<u>\$ (208,803)</u>	<u>(53,710)</u>	<u>\$ 155,093</u>
Fund Balance – Beginning of Year			<u>507,846</u>	
Fund Balance – End of Year			<u>\$ 454,136</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Fire and Police Fund
For the Year Ended June 30, 2005

Schedule 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes:			
Current Property Taxes	\$ 380,000	\$ 383,730	\$ 3,730
Charges for Services:			
Extrication Fees	4,000	1,500	(2,500)
Interest and Rents:			
Interest	400	2,238	1,838
Rents	4,000	4,000	-
Other:			
Donations and Reimbursements	3,500	3,492	(8)
Other	<u>1,400</u>	<u>-</u>	<u>(1,400)</u>
Total	<u>393,300</u>	<u>394,960</u>	<u>1,660</u>
Expenditures			
Salaries and Wages	-	81,201	-
Salaries and Wages - Contractual	-	61,208	-
Social Security and Medicare	-	5,562	-
Pension	-	7,922	-
Supplies and Postage	-	7,123	-
Contractual Services	-	170,710	-
Telephone	-	2,421	-
Community Promotion	-	585	-
Insurance	-	8,500	-
Public Utilities	-	5,090	-
Maintenance and Repairs – Vehicles	-	2,505	-
Maintenance and Repairs – Other	-	3,216	-
Other	-	637	-
Capital Outlay	<u>-</u>	<u>2,822</u>	<u>-</u>
Total	<u>393,181</u>	<u>359,502</u>	<u>33,679</u>
Excess Revenues (Expenditures)	<u>\$ 119</u>	35,458	<u>\$ 35,339</u>
Fund Balance – Beginning of Year		<u>150,409</u>	
Fund Balance – End of Year		<u>\$ 185,867</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Ambulance Fund
For the Year Ended June 30, 2005

Schedule 3

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes:			
Current Property Taxes	\$ 210,000	\$ 243,326	\$ 33,326
Charges for Services:			
Ambulance Runs	250,000	298,358	48,358
Contracts	10,000	18,637	8,637
Interest and Rents:			
Interest	2,000	3,197	1,197
Other:			
Sale of Equipment	500	-	(500)
Refunds and Reimbursements	400	881	481
Donations and Memorials	400	13,359	12,959
Total	<u>473,300</u>	<u>577,758</u>	<u>104,458</u>
Expenditures			
Salaries and Wages	-	261,848	-
Social Security and Medicare	-	19,373	-
Pension	-	17,105	-
Supplies and Postage	-	9,506	-
Gasoline	-	8,600	-
Medical Supplies	-	18,693	-
Uniforms	-	2,583	-
Professional and Other Services	-	35,776	-
License Fees	-	228	-
Medical Services	-	10,375	-
Telephone	-	3,254	-
Maintenance and Repairs – Vehicles and Equipment	-	19,909	-
Community Promotion	-	1,105	-
Insurance	-	36,873	-
Utilities	-	5,090	-
Maintenance and Repairs – Building	-	3,145	-
Other	-	2,927	-
Purchases from Standby and Memorials	-	459	-
Education and Training	-	1,155	-
Capital Outlay	-	39,364	-
Debt Service	-	22,557	-
Total	<u>562,472</u>	<u>519,925</u>	<u>42,547</u>
Excess Revenues (Expenditures)	(1) <u>\$ (89,172)</u>	57,833	<u>\$ 147,005</u>
Fund Balance – Beginning of Year		<u>235,000</u>	
Fund Balance – End of Year		<u>\$ 292,833</u>	
(1) Budgeted from Fund Balance			

The Notes to the Basic Financial statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Liquor Law Enforcement Fund
For the Year Ended June 30, 2005

Schedule 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
State Grants:				
License Refunds	\$ 2,500	\$ 2,500	\$ 2,549	\$ 49
Total	2,500	2,500	2,549	49
<u>Expenditures</u>				
Salaries and Wages	-	-	1,274	-
Social Security and Medicare	-	-	148	-
Pension	-	-	447	-
Supplies	-	-	44	-
Total	4,892	1,926	1,913	13
<u>Excess Revenues (Expenditures)</u>	(1) \$ (2,392)	\$ 574	636	\$ 62
Fund Balance – Beginning of Year			925	
Fund Balance – End of Year			\$ 1,561	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2005

Schedule 5

Trust and Agency Fund				
	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
<u>Assets</u>				
Cash	\$ 5,296	\$ 21,554	\$ 20,019	\$ 6,831
Total Assets	\$ 5,296	\$ 21,554	\$ 20,019	\$ 6,831
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ -	\$ -	\$ -	\$ -
Escrow Deposits	5,296	21,554	20,019	6,831
Total Liabilities	\$ 5,296	\$ 21,554	\$ 20,019	\$ 6,831
Current Tax Collection Fund				
	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
<u>Assets</u>				
Cash	\$ 5,831	\$ 5,487,558	\$ 5,484,339	\$ 9,050
Total Assets	\$ 5,831	\$ 5,487,558	\$ 5,484,339	\$ 9,050
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 5,831	\$ 5,487,558	\$ 5,484,339	\$ 9,050
Escrow Deposits	-	-	-	-
Total Liabilities	\$ 5,831	\$ 5,487,558	\$ 5,484,339	\$ 9,050
Total				
	Balance 6/30/04	Additions	Deductions	Balance 6/30/05
<u>Assets</u>				
Cash	\$ 11,127	\$ 5,509,112	\$ 5,504,358	\$ 15,881
Total Assets	\$ 11,127	\$ 5,509,112	\$ 5,504,358	\$ 15,881
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 5,831	\$ 5,487,558	\$ 5,484,339	\$ 9,050
Escrow Deposits	5,296	21,554	20,019	6,831
Total Liabilities	\$ 11,127	\$ 5,509,112	\$ 5,504,358	\$ 15,881

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
2004 Property Tax Levy and Collections
For the Year Ended June 30, 2005

Schedule 6

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.1267	\$ 849,481	\$ 762,346	\$ 87,135
Commission on Aging	0.2718	45,019	40,402	4,617
Medical Care Facility	0.6785	112,410	100,880	11,530
B.A.T.A.	0.3428	56,784	50,960	5,824
State Education	6.0000	994,193	932,767	61,426
School District:				
Traverse City	21.1000	1,622,769	1,512,763	110,006
Kingsley	22.4000	89,460	82,042	7,418
Intermediate School District	2.9732	492,643	461,551	31,092
Community College	2.8340	469,262	430,717	38,545
District Library	1.1957	198,092	177,775	20,317
Township:				
General	0.8736	144,738	129,892	14,846
Fire and Police	2.5000	383,742	342,153	41,589
Ambulance (Emergency) Service	1.4703	243,612	218,624	24,988
Other Taxes on Roll:				
State Commercial Forest		235	235	-
Special Assessments:				
Township – Water		96,299	57,749	38,550
Township – Roads		9,765	6,943	2,822
Township – Street Lights		12,052	10,077	1,975
Township Water Bills		<u>15,299</u>	<u>10,998</u>	<u>4,301</u>
Total		<u>\$ 5,835,855</u>	<u>\$ 5,328,874</u>	<u>\$ 506,981</u>
Percent of Levy Collected		91.31%		

The Notes to the Basic Financial Statements are an integral part of this statement.